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COMMISSION ON THE ORGANIZATION OF THE GOVERNMENT
FOR THE CONDUCT OF FOREIGN POLICY
2025 M STREET, N.W.
WASHINGTON, D.C. 20506

March 7, 1975

MEMORANDUM FOR COMMISSIONERS

FROM: Francis O. Wilcox, Executive Director

SUBJECT: Committee II - Intelligence, Draft Report

A draft report on Intelligence for consideration by the Commission is enclosed.

In presenting this draft the Chairman and members of Committee II point out that the present draft is not fully satisfactory, will certainly need further revision, and approval of the Commission is not sought at this time. The draft is the product of extensive study and discussion in the Committee but will need considerable compression, the elimination of some subjects which the Commission may not regard as appropriate to its mandate, and additional clarifying language.

In view of the other responsibilities of Committee II for National Security and in light of the need to have the statements on Intelligence be fully consistent with the other aspects of the Commission's review, it will be necessary for further coordination between the two topics to take place.

Nevertheless, the Committee believes that it would be useful to get the Commission's views on this subject at this time.

Enclosure

Presidential Library Review of
NSC Equities is Required

MORI/CDF Pages 1 and 3-78

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DRAFT REPORT

INTELLIGENCE

INTRODUCTION

Intelligence in support of the conduct of foreign policy is a large, fragmented, and costly activity. Basically, it involves two vital functions:

-- the COLLECTION OF "raw" information on foreign countries, people, and events in every way possible -- secret and open -- using human sources, communication devices, photography, and many other technical means.

-- the ASSESSMENT of all information through research and analysis to produce "finished" intelligence reports, estimates, and judgments.

In addition, another activity, not strictly intelligence, is traditionally carried out by intelligence services; i.e., covert action, which is the effort to influence the affairs of other nations by secret and unattributable means.

From the standpoint of national needs, intelligence functions must be governed by these imperatives:

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-- Intelligence must supply policymakers and operators with reliable, timely and useful information; that is, intelligence must be RESPONSIVE to the needs of its consumers.

-- Intelligence must accomplish its task with ECONOMY OF EFFORT.

The fulfillment of intelligence functions in accordance with these imperatives requires a complex pattern of organization, orderly direction, and responsible oversight. The Commission has looked into these basic elements of the intelligence effort and finds that some changes and improvements are needed. Its examination has centered around the following subjects which are separately discussed:

I. The Intelligence Community

II. The Policymaker and Intelligence Support

III. Resource Management and the Role of the DCI

IV. Defense Intelligence Activities

V. The Clandestine Service and Covert Action

VI. Declassification and Protection of Sources

VII. Supervision and Oversight

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I. THE UNITED STATES INTELLIGENCE COMMUNITY

A. Overall Priorities and Orientation.

The structure of the U. S. Intelligence Community -- and indeed of the government as a whole for the conduct of foreign policy -- was designed ~~in~~ at a time immediately after World War II when the international climate was marked by tension and the potential of renewed war. The National Security Act of 1947 reflected this basic concern, as did intelligence priorities and the commitment of resources and personnel. All aspects of the U.S.S.R. received special attention. Many of the larger collection agencies were kept within the Department of Defense.

Today in a world of detente -- real or potential -- of interdependence, of pressing global issues such as inflation, world monetary problems, energy resources, food, population, environmental quality, narcotics control, and terrorism, there is reason to change the basis on which the priority system and even the structure of the intelligence community is built. The need for accurate knowledge of foreign military forces remains substantial, but changing conditions in the world have added new tasks for intelligence.

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B. Organizational Structure.

In 1946 President Truman issued an executive order creating two bodies, the National Intelligence Authority and the Central Intelligence Group, to coordinate the intelligence activities of the various departments. The centralizing and coordinating functions were confirmed and enhanced by the National Security Act of 1947, which created the National Security Council (NSC), the Department of Defense (DoD) and the Central Intelligence Agency (CIA).

Although the National Security Act of 1947, as amended, still forms the basis for the organization of the U.S. intelligence community, there have been numerous changes in the community structure as well as in the responsibilities of various members. These changes have been made primarily by Presidential Executive Order, National Security Council Intelligence Directive (NSCID) and Director of Central Intelligence Directive (DCID).

The President, as prime consumer of the intelligence product and ultimate authority over intelligence activities, has a complex system of committees to help him manage the intelligence community which now includes a score of agencies and official groups (see Chart 1). The three long-time committees involved in directing the intelligence community are the National Security Council (and several of

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its subordinate committees), the United States Intelligence Board (USIB), and the President's Foreign Intelligence Advisory Board (PFIAB).

C. Intelligence and the National Security Council.

Intelligence by law comes under the direction of the NSC. Two NSC committees directly involved in managing intelligence activities are:

-- the 40 Committee, which approves covert actions and other high risk operations (see Section V for details and recommendations);

-- the NSC Intelligence Committee, which is supposed to provide a forum through which intelligence consumers can give guidance to collectors and analysts (see Section II for details and recommendations).

The Commission has elsewhere commented on fundamental NSC organization and duties, and it is simply noted here that the current structure is both complex and relatively underused.

D. United States Intelligence Board.

The USIB, originally called the Intelligence Advisory Committee, was established by the first NSCID-1 in 1948. USIB is an interdepartmental advisory body for the DCI,

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who is its Chairman and can overrule its other members.

The USIB is composed of major U.S. agencies with intelligence responsibilities and has seven members and four observers (see Chart 3). The preponderance of military representatives has been criticized from time to time by previous study groups.

The USIB's responsibilities have been modified from time to time by revision of NSCID-1. It is currently a substantive body required to advise the DCI on:

-- the establishment of intelligence requirements and priorities,
-- the production of national intelligence estimates (members and observers may dissent officially from an NIE statement or conclusion),
-- the supervision of dissemination and security of intelligence reports,
-- the protection of intelligence sources and methods, and
-- the policies regulating liaison with foreign governments.

There are thirteen standing USIB committees (see Chart 4) and over fifty subcommittees and working groups covering major aspects of collection, production, warning intelligence, and security.

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USIB was originally designed to advise the DCI on management problems, but by 1960 USIB had become primarily a deliberative body emphasizing requirements and estimates and not devoting sufficient time to its coordinating (what)? responsibilities. Many reviews during the 1960s criticized USIB's inability to deal with resource matters and noted that satisfication of all the Board's approved requirements would take more resources than were available. The Schlesinger report in 1971 termed USIB ineffective, because it was a grouping of equals; it was composed of collectors and producers who were setting their own collection requirements and evaluating their own products; it had no consumer members and so could not reflect consumer needs. The report recommended abandoning or restructuring USIB (the latter course was selected) and adding a Consumer Council and a Resources Board (both ideas were implemented but outside the USIB mechanism as NSCIC and the Intelligence Resources Advisory Committee (IRAC)).

E. President's Foreign Intelligence Advisory Board.

Originally established by President Eisenhower in 1956 as the President's Board of Consultants on Foreign Intelligence Activities, the Board was reorganized and reconstituted as PFIAB in 1961 by President Kennedy. Presidents Johnson, Nixon

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and Ford have continued the Board. Under the terms of President Nixon's 1969 Executive Order, PFIAB is directed to:

-- advise the President concerning the objectives, conduct, management and coordination of the overall national intelligence effort;
-- conduct a continuing review and assessment of foreign intelligence and related activities; and
-- receive, consider and take appropriate action on matters identified to the Board by the intelligence community in which support of the Board will improve the effectiveness of the national intelligence effort.

Members of PFIAB are appointed by the President from among persons outside the government and serve at his discretion. The Board has a staff headed by an Executive Secretary, also appointed by the President.

(See Section VII on Oversight for further details and Commission recommendations.)

F. The Principal Intelligence Agencies.

The major elements of the intelligence community are the following:

The CIA:

The CIA was established by the National Security Act of 1947, which stipulates that the duties of the Agency

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"for the purpose of coordinating the intelligence activities of the several departments and agencies... under the direction of the NSC" shall be:

-- to advise the NSC concerning such intelligence activities as relate to national security;

-- to make recommendations to the NSC for the coordination of such intelligence activites;

-- to correlate and evaluate intelligence relating to the national security and provide for the dissemination within the government: provided that CIA shall have no police or internal security functions; provided that the departments and other agencies shall continue to collect, evaluate, correlate and disseminate departmental intelligence; and provided that the DCI shall be responsible for protecting intelligence sources and methods from unauthorized disclosure;

-- to perform for existing intelligence agencies such additional services of common concern as the NSC determines can be more efficiently accomplished centrally;

-- to perform such other functions and duties as the NSC may from time to time direct.

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Other enabling legislation, the Central Intelligence Act of 1949, gave the Agency authority to conduct its business in an unconventional manner by permitting it to expend funds solely on the certification of the Director, to negotiate purchases without publicly soliciting bids, to transfer funds and people between government agencies, and by exempting it from federal laws requiring disclosure of the organization, functions, names and numbers of its employees.

The CIA is headed by a Director and Deputy Director, who are Presidential appointees and who may be civilian or military, provided that at no time shall both be active or retired military officers. In practice this has come to mean that one or the other will definitely have a military background. The DCI has two definite and distinct functions. He is responsible for all activities of the CIA, but he is also the principal intelligence adviser to the President and NSC, and as such is responsible for coordinating the activities of the entire intelligence community.

The basic CIA organizational structure is divided into four directorates, each headed by a deputy director. The Deputy Director for Intelligence (DDI) is responsible for analyzing and evaluating information from all sources in order to produce daily and periodic intelligence reports for the President, NSC and other government departments. The

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Deputy Director for Operations (DDO) is in charge of collecting positive and counterintelligence information by clandestine means and of carrying out covert actions in support of U.S. foreign policy. The Deputy Director for Science and Technology (DDS&T) is required to develop technical collection systems and assess foreign advances in science, technology and weaponry. The Deputy Director for Support (DDS) is responsible for personnel, funds, logistics, communications and security.

The CIA also performs various "services of common concern" for the U.S. intelligence community. It maintains a biographic register of foreign leaders; [redacted] 25X1

[redacted] 25X1

INR:

The State Department's Bureau of Intelligence and Research (INR), which employs roughly 350 people and spends approximately $9 million a year, is involved in intelligence assessments rather than collection. It uses its resources for research and analysis to serve the specific needs of policymakers in the State Department and to contribute to the production of national intelligence bulletins and estimates. INR also manages the State Department's programs

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for external research and provides Departmental policy guidance for intelligence operations conducted by other agencies. It provides advice, staff support, and representation on inter-agency bodies concerned with planning, evaluation, and resource allocation for various intelligence programs.

DIA:

The Defense Intelligence Agency (DIA), which employs roughly 4,000 people and spends approximately $____ a year, provides intelligence support to the Secretary of Defense, the Joint Chiefs of Staff, and other senior Defense officials. DIA prepares its own intelligence assessments and coordinates the DOD input to the production of national intelligence. It also manages the DoD Indications Center for early warning, the Defense Attache System, the General Defense Intelligence Program, and the Special Reconnaissance Vehicle Program. Although DIA is responsible for obtaining maximum economy and efficiency in the organization, direction, management, and control of all DoD intelligence resources, the military intelligence assets remain under the controlling authority of the Secretary of Defense and the individual armed services.

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NSA:

The National Security Agency (NSA), which employs roughly _____ people and has a budget of over $1 billion a year, is a semi-antonomous agency of the Defense Department. By direction of the President, NSA, and its field operating organization (the Central Security Service-CSS), are placed under the Secretary of Defense as executive agent for the conduct of U.S. cryptologic operations as a national program, in satisfaction of the needs of all users of national intelligence. NSA concentrates on collecting and processing "raw" information, largely for analysis by other agencies on a time-sensitive basis. NSA also protects U.S. communications from exploitation by foreign governments.

Each of the armed services maintains its own units in the field for cryptology, the Service Cryptologic Agencies (SCAs). The relationship between NSA and the SCAs is ambiguous, but the SCAs take their operational direction from NSA.

NRO:

The National Reconnaissance Office (NRO), a semi-autonomous office within the Defense Department, operates satellite programs for the entire intelligence community. Its budget is over $1 billion a year. The NRO is responsive to the specific tasking if the DCI, with the advice and assistance of USIB. It takes policy direction from an executive committee composed of the DCI as Chairman and the Assistant Secretary of Defense for Intelligence.

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Army, Navy, Marine, and Air Force Intelligence:

Each of the armed services maintains sizable intelligence organizations primarily for direct tactical support of their elements in the field and for security purposes. The three major service agencies are all larger than DIA, and Air Force intelligence (includi NRO) is the biggest organization in the intelligence community. Air Force Intelligence employs roughly 50,000 people and has an annual budget of over $2 billion; the Office of Naval Intelligence employs about 15,000 people and has a $600 million annual budget; Army Intelligence employs roughly 35,000 people and spends approximately $700 million annually; and Marine Intelligence, by far the smallest, employs approximately 1,500 people. Although the three major service intelligence chiefs are observers at USIB and participate in the production of national intelligence, they are not principally involved in intelligence support for the conduct of foreign policy.

Othe USIB Agencies:

The intelligence units of the FBI, Treasury Department, and Energy Research and Development Administration are also formally part of the intelligence community. They contribute information on intelligence matters falling within their special jurisdictions.

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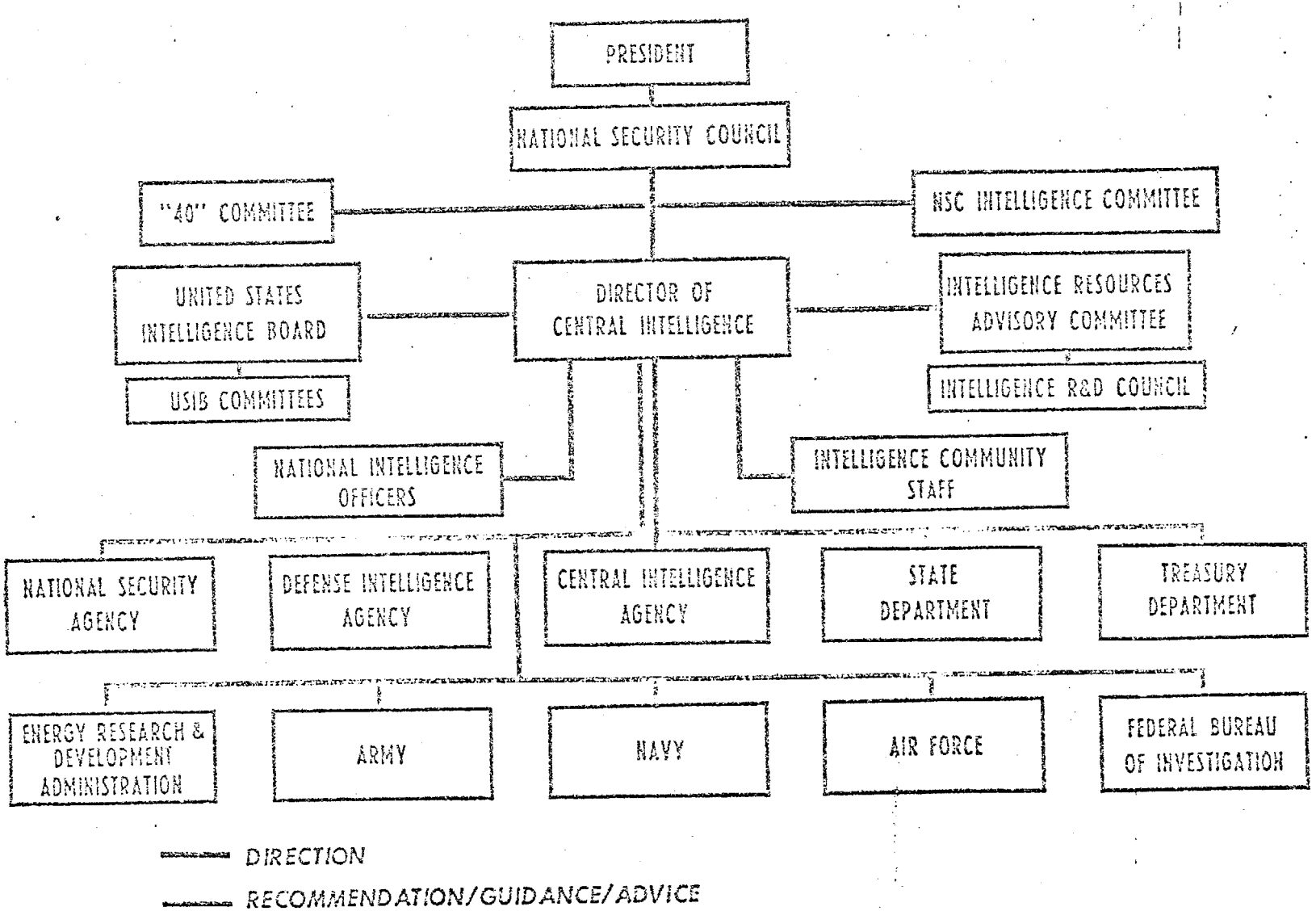
CHART 1.

NATIONAL INTELLIGENCE COMMUNITY STRUCTURE



NB: Add other less prominent agencies.

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CHART 2.

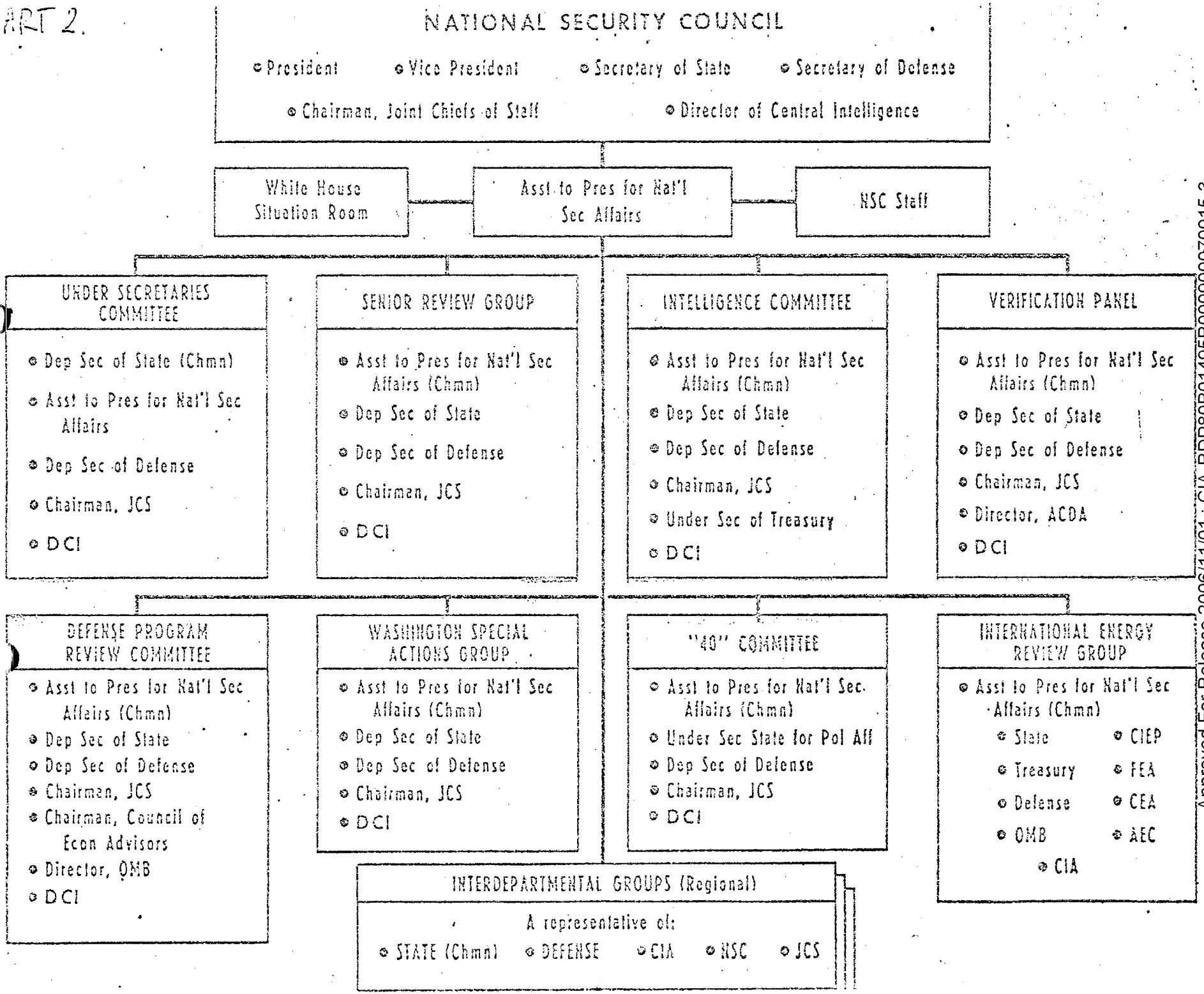

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CHART 3

STRUCTURE OF THE UNITED STATES INTELLIGENCE BOARD

As of 1972

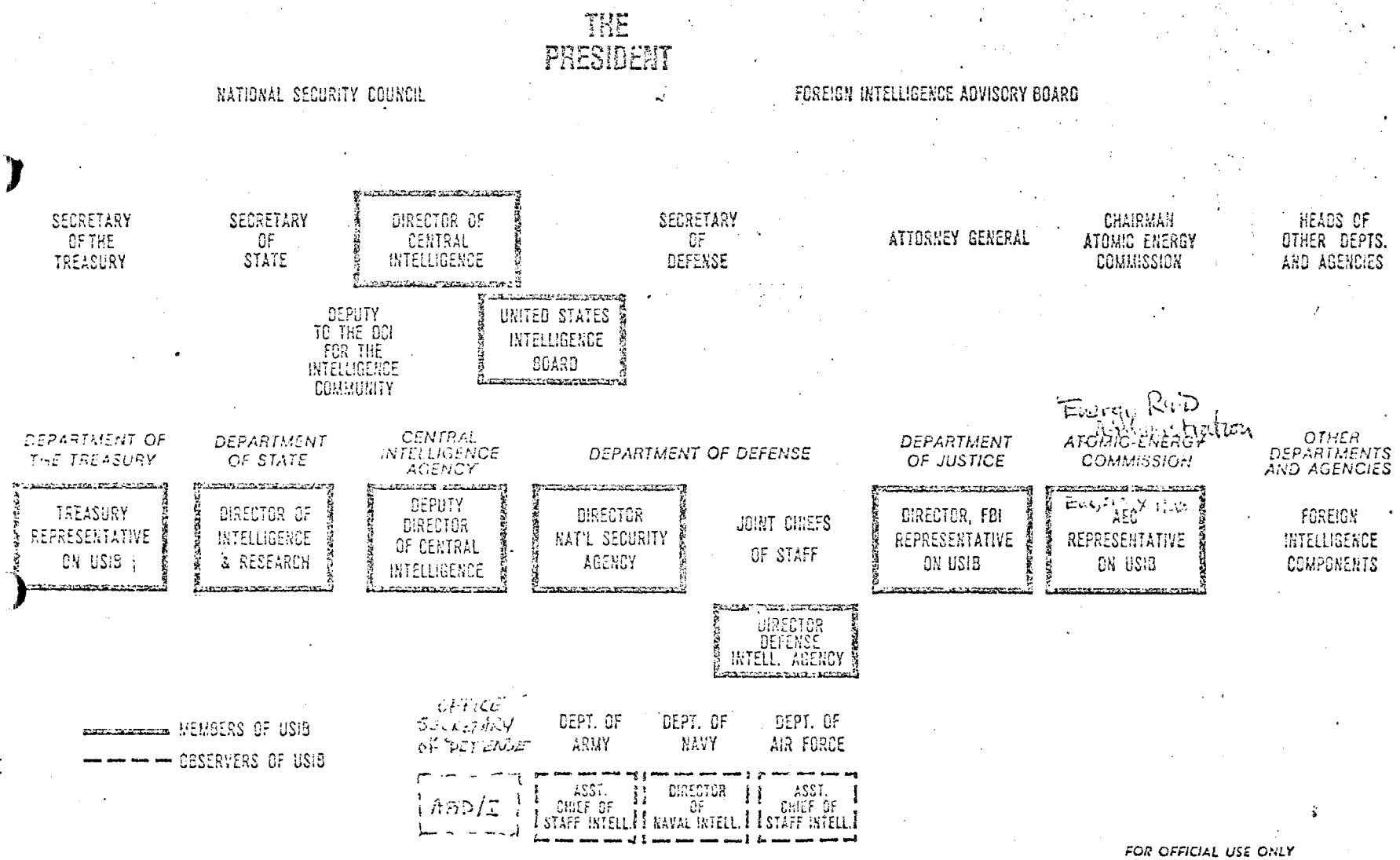

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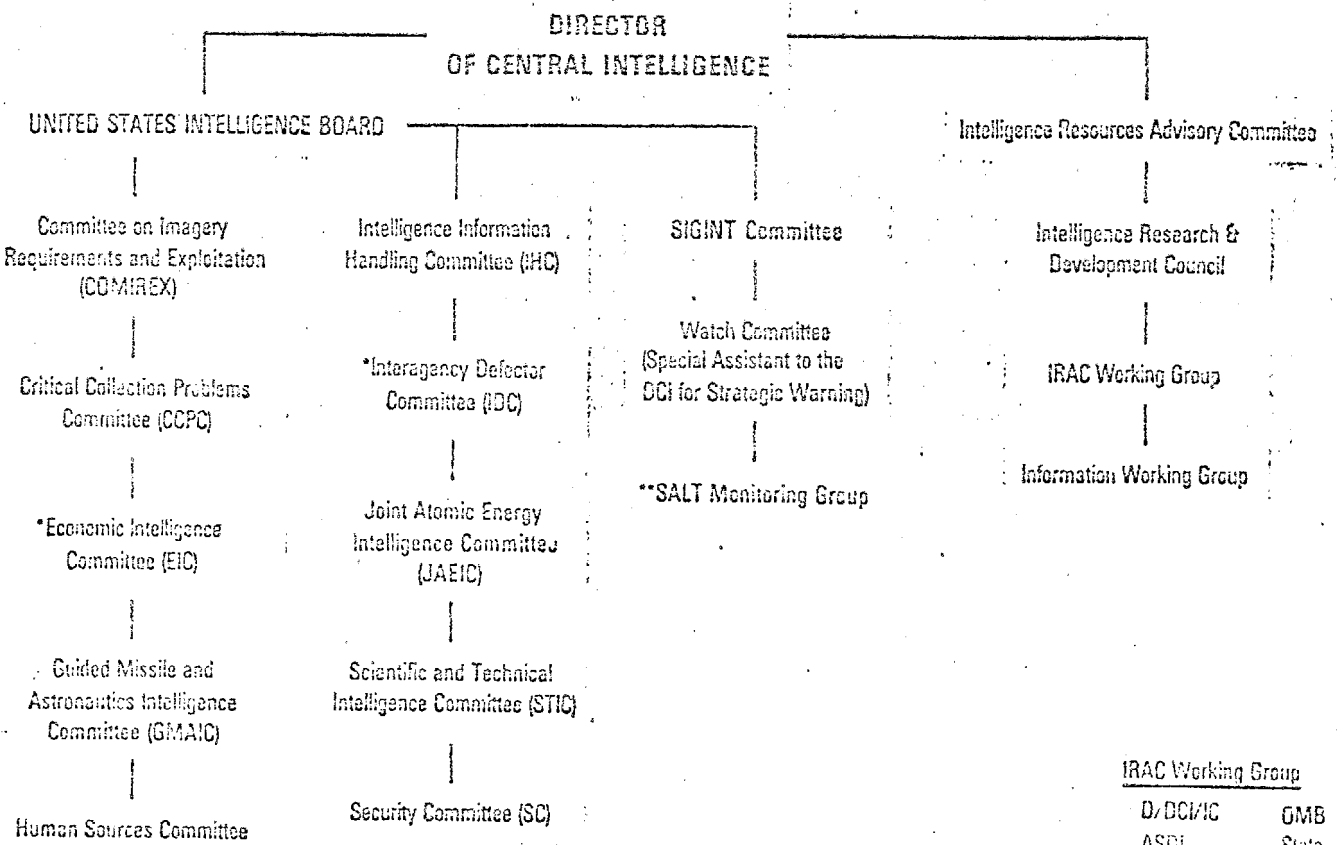
CHART 4

COMMITTEES OF THE
UNITED STATES INTELLIGENCE BOARD AND
INTELLIGENCE RESOURCES ADVISORY COMMITTEE



USIB Committee Membership:

CIA, DIA, State, NSA, Treasury, ERDA, FBI, Army, Navy, and Air Force

*In addition to above membership, these committees have associate members or observers representing non USIB member agencies.

**SALT Monitoring Group membership- DDCI, CIA, DIA and STATE.

IRAC Subcommittee Representatives:

Intelligence Research and Development Council

Defense Research & Engineering

Advanced Research Projects Agency

ASDI	Navy (R&D)
Army (R&D)	Air Force (R&D)
NSA	CIA
DIA	D/DCI/IC

IRAC Working Group

D/DCI/IC	OMB
ASDI	State
CIA	NSA
DIA	NSC staff
Air Force	Navy

Information Working Group

D/DCI/IC	ASDI
OMB	NSA
CIA	DIA
State	Air Force

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II. POLICYMAKERS AND INTELLIGENCE SUPPORT

Some policymakers ask of the intelligence agencies only that they report fully and accurately the overseas developments with which foreign policy is concerned. They want "facts" and prefer to take care of the analysis themselves. Policymakers of this school believe that their global perspective, personal knowledge of world leaders, and familiarity with the range of policy options give their analysis a validity that cannot be matched by intelligence officers. They argue that analysis and estimates by those not directly involved in the policy process so lack relevance or are so cautiously hedged as to be almost useless.

At times this view is probably quite valid, especially when intelligence officers are not privy to policy planning and diplomatic conversations at the highest levels of the U. S. Government. On the other hand, intelligence officers see their role in a somewhat different light. They argue that they should indeed follow and report on important developments overseas, but they also see their function as:

-- alerting policymakers of impending opportunities and problems;

-- estimating future developments, to reduce the areas of uncertainty and risk in policy formulation;

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-- appraising, particularly when requested by policymakers, the probable foreign consequences and reactions to alternative courses of action; and

-- monitoring results of policy initiatives.

These differences of view, not always so sharply drawn, cannot be resolved by fiat. Much depends on personal attitudes on both sides. Furthermore, a natural tension between intelligence and policymakers should be taken for granted because, if the national intelligence analysts do their job well, objectively and critically, they will at times present a picture of the external world which challenges basic assumptions and may even demonstrate a situation to be largely intractable to initiatives by U. S. policymakers. A good intelligence organization will frequently be a messenger of bad news; an excellent one will frequently be a designer of unfamiliar mosaics. In any event, each side must constantly strive for understanding of the other.

If policymakers want useful intelligence support, they must tell intelligence officers what they are doing. Intelligence officers can hardly be expected to interpret the actions of foreign governments successfully, if they are unaware of U. S. initiatives that may be influencing the decisions of other states. Moreover, intelligence cannot be of much help if it is not kept informed of current policy thinking in the U. S.. Procedures must be established to

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make available, under whatever security restrictions must apply, full information on current activities and policy deliberations.

In addition, as major studies on intelligence have pointed out over the years, intelligence needs constant and constructive evaluation of its product and pointers about what subjects are of special interest. The lack of effective guidance to the intelligence agencies can result in the preparation of reports of little or no interest, in misguided priorities, and in the collection of too much "raw" information of insufficient quality and usefulness. Indeed, most policymakers regard intelligence as a "free good" and thus set no limits on their requests for intelligence support.

The intelligence community's work has become largely responsive to its own perceptions of what is important. The uneven quality of policy guidance for the intelligence community has long been recognized, but until recently not much has been done about it. The NSC structure of the Eisenhower administration provided a "cueing system" for intelligence production, but, since that time, the intelligence community has had to generate and evaluate most of its own products. The Schlesinger Report of 1971, however, and the Presidential memorandum which followed, sought greater "responsiveness of the U. S. Intelligence effort to national

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needs" and "improvement in the quality, scope, and timeliness of intelligence information." To this end, it called for:

-- an enhanced leadership role with respect to requirements and overall planning for the DCI, the principal intelligence adviser to the President and the only intelligence officer regularly attending key NSC subcommittees and Cabinet meetings,

-- establishment of a National Security Council Intelligence Committee (NSCIC), chaired by the Assistant to the President for National Security Affairs, to provide guidance on intelligence and intelligence management needs,

-- inclusion of a representative of the Treasury Department on the United States Intelligence Board (USIB),

-- establishment of a Net Assessments Group within the NSC staff (moved to the Defense Department in 1973) to draw a balance sheet for U. S. and Soviet military strength,

-- establishment of an "Intelligence Community Staff," among other things, to assist the DCI in assessing the performance of the community and to probe consumer attitudes.

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The DCI then created several new institutions to enhance the relevance, timeliness, quality, and efficiency of intelligence analysis. His staff began producing five-year plans to provide perspective on future conditions for intelligence and "Key Intelligence Questions" (KIQs) to engage principal consumers in the requirements process. The KIQs, which are direct lineal descendents of previous priorities' lists, are useful but hardly a cure-all in the requirements field. The DCI also replaced the old Board of National Estimates with National Intelligence Officers (NIOs) to channel consumer requests and to supervise the production of National Intelligence Estimates.

Most of these new steps are beginning to prove their worth, but the key one -- the NSCIC -- has been a disappointment to date. It has met only a few times since its inception, presumably because its members are extremely busy. In addition to the Special Assistant to the President for National Security Affairs, its members now are the DCI (vice-chairman), the Deputy Secretary of State, the Deputy Secretary of Defense, the Chairman of the Joint Chiefs of Staff, and the Under Secretary of the Treasury for Monetary Affairs.

Two subcommittees of the NSCIC, however, have recently begun to show some life. The first is the NSCIC Working Group,

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chaired by the DCI's Deputy Director for the Intelligence Community, whose membership has been changed to represent -- currently -- intelligence consumers rather than producers; the second is the Economic Intelligence Subcommittee, which is chaired by the Assistant Secretary of the Treasury for International Affairs. Both of these groups, if properly used, can provide the kind of policy level guidance and feedback to the intelligence community that has been lacking for many years. But they are dependent to a large extent on the authority and nature of the NSCIC itself. Some changes in the NSCIC are thus called for.

RECOMMENDATION : The National Security Council Intelligence Committee (NSCIC), or an equivalent committee with broad membership representing foreign policymakers, should meet regularly and be revitalized with new leadership. It should help to fulfill the responsibilities of policymakers to the intelligence community by (a) assuring the flow of current policy information to intelligence producers, (b) giving guidance and approving requirements, and (c) arranging evaluation of intelligence products.

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If the NSCIC is given an opportunity to function, the attention of the highest level policy officials can be constructively channeled. It is, however, usually too much to expect of such busy people that they systematically review their intelligence needs and formulate precise tasks for the intelligence community. In the past two years, the Secretary of Defense has relied on a special assistant to evaluate intelligence products and to press for innovative intelligence analysis. The Commission views this arrangement as a constructive example for other high level policymakers.

RECOMMENDATION : Senior policymakers should assume greater responsibility for intelligence matters by assigning to special assistants, who are privy to their daily activities and interests, the responsibility for handing on their guidance and criticism of intelligence products.

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A special problem of both guidance and direction arises with the State Department "collection" system on which the Commission has made an extensive study. Cables and Airgrams from embassies and missions abroad constitute a major source of intelligence. Because, however, of the dual policy and information reporting functions and communications of Foreign Service Officers, and because there is no central direction in the Department for reporting, this critical source is without consistent guidance and is not adequately responsive to intelligence needs. There has long been need for change in this complex system, on which so many offices, including intelligence, rely so heavily. INR clearly should have a key place in any improved arrangement.

RECOMMENDATION : The State Department must take major steps to make its Foreign Service reporting, now principally attuned to policy and operational demands, a more effective contributor to the intelligence collection effort. These steps should include at a minimum some centralization of responsibility for Foreign Service reporting, an improved format, and a greater responsiveness to coordinating intelligence requirements. INR should play an important role in these arrangements.

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Perhaps the greatest organizational shortcoming in the intelligence community is the failure to appreciate the value of competition in analysis, and the concomitant over-emphasis on coordinating intelligence memoranda and estimates. No doubt intelligence collection must be highly organized, and competition in collection is wasteful; but the cost of maintaining strong, competitive centers of intelligence analysis in all the intelligence agencies is minuscule compared to the costs of intelligence collection.

It is particularly important that the State and Treasury Departments be in a position to compete with the work in economic analysis now being carried out by the CIA. This will require additional resources for INR and offices involved in intelligence research and analysis in the Treasury Department and other economic agencies. In addition, in order to play a more effective role in the intelligence community, INR needs a larger cadre of career intelligence officers who are not in the Foreign Service. Similarly, DIA has serious problems attracting experienced intelligence analysts and maintaining continuity in the various offices, a situation which has to be improved if DIA is to produce intelligence reports of consistently high quality.

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RECOMMENDATION : In order to encourage the development of competing assessments, the Secretaries of State, Treasury, and Defense should insure that their departments, as well as CIA, have strong offices involved in intelligence research and analysis. In State and Treasury, this will require additional resources for economic intelligence analysis; in Defense, this will require greater continuity of intelligence personnel.

language!

One of the DCI's most promising innovations is the establishment of the National Intelligence Officer (NIO) system. There are eleven NIOs: seven regional specialists and four functional specialists. Each NIO is personally responsible for insuring responsiveness to consumers and for maintaining the quality and integrity of National Intelligence Estimates (NIEs). NIEs are drafted by experts drawn from any agency within the intelligence community -- a procedure which has improved the working relations between the agencies but poses potential problems in maintaining the objectivity and style of NIEs. Although the collegial responsibility of the former Board of National Estimates no longer exists, the DCI could provide some additional check

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on the NIOs' work by retaining on his staff a few people, perhaps recently retired, with extensive diplomatic, military, or international economic experience, as a review group to supplement the comments of other NIOs.

RECOMMENDATION : The National Intelligence Officer (NIO) system should be further strengthened by the establishment of a small supplemental group on the DCI's staff to review National Intelligence Estimates.

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III. RESOURCE MANAGEMENT AND THE ROLE OF THE DCI

Over the last five years, there has been roughly a 40 percent cutback in personnel within the intelligence community, and the overall national foreign intelligence budget has been held relatively constant. This has been accomplished thorugh strong Presidential instructions, the personal interest of the DCI and recent Secretaries of Defense, and the influence of the joint NSC/OMB study in 1971 led by James Schlesinger. The Schlesinger Report paved the way for the creation of two key institutions which have played a major role in these cutbacks: the Intelligence Community Staff (IC Staff) and the Intelligence Requirements Advisory Committee (IRAC).

Certain fundamental problems in resource management, however, continue to plague the intelligence community. First, the DCI has leadership responsibility over the entire community, but the authority for budget resources, which is the basic instrument of control, remains with the Departments and agencies to which Congress appropriates the funds. Thus, the DCI actually controls directly only 15 percent of the intelligence budget; the remaining 85 percent is principally in the realm of the Secretary of Defense. Second, a curious anomaly exists in the matter of duplication and size of effort. Redundancy and duplication of effort is often valuable for intelligence analysis, for it surfaces different

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points of view and is not particularly costly. As for collection, however, the reverse is true: duplication is of little value and extremely costly. Unfortunately, economy of effort is a relatively new concern for the intelligence community.

The Intelligence Community Staff

In accordance with the Schlesinger Report, President Nixon directed the DCI to exercise positive leadership in planning, reviewing, and evaluating intelligence programs and to structure and strengthen his personal staff to accomplish this. This function was in the 1950s and 1960s a primary responsibility of USIB, but it was not carried out very effectively. Since that time, the DCI's personal staff -- the IC staff -- has been very substantially expanded and has taken over most work related to management of resource allocation for the intelligence community. The IC Staff now plays a central role in the whole budget process for the intelligence community.

It should be noted that the IC Staff is directed by a general officer, a fact that has facilitated the Staff's work with regard to the Defense Department.

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The Intelligence Resources Advisory Committee (IRAC)

IRAC, which is chaired by the DCI, includes representatives of OMB and the main components of the intelligence community. It was designed to provide advice to the DCI on the allocation of resources in much the same way as USIB assists the DCI in the coordination of intelligence activities and finished intelligence. IRAC apparently has proved itself to be a useful instrument. It meets regularly and has active working groups; its members have gained a much deeper understanding of the collection activities and problems of other members of the community. It has helped the DCI to identify some of the major collection resource issues even though members tend still to be defensive about resources of their own organizations.

There is still a natural tendency to concentrate on proposals for new projects and to accept items uncritically because they are about the same as the previous year or generally within budget guidelines for increases.

An aggressive policy is needed to adjust this perspective.

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Budget Procedures

A Consolidated National Foreign Intelligence Budget has been pulled together by the DCI for the past three years. This presentation is valuable, for it puts forward a consistent overall picture of the intelligence effort which can be reviewed in the normal budgetary process by OMB, by the President, and by Congress. The DCI, however, still lacks the authority to tell the Department of Defense what should go in the budget. Furthermore, the Defense Department budget cycle does not mesh with that of the rest of the intelligence community. At a minimum, all intelligence agency budget submissions should have to conform to a tasking pattern determined by the DCI which would set agency responsibilities and budget limitations.

Perspectives for Intelligence

In order to promote a clear understanding of the purposes for which intelligence resources are to be expended, the DCI has developed an annual substantive overview of the political, economic, and security environment anticipated in the next five years. This document, which is called "Perspectives for Intelligence," is extremely useful. Indeed it could play an important role in giving the DCI an additional handle on the entire intelligence community budget, by setting a common base on which intelligence needs can regularly be structured. The Commission believes that "Perspectives for Intelligence," which is coordinated

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A Proposed Plan and Strategy for Intelligence

Another key ingredient to a sound resource management and budgetary process, i.e., a comprehensive plan and strategy, still needs to be developed. This document would give a forward look to intelligence programs, would bring greater coherence to the community effort, and would afford the President, NSC, and DCI a useful instrument in their direction of the intelligence community. This proposed plan and strategy would scrutinize on-going programs, would evaluate their relationship to community objectives, would set priorities, and would highlight the impact and future costs of current intelligence program and budget decisions.

The DCI's Authority

All of the aforementioned staffs and resource management tools are helpful to the DCI in his effort to fulfill his leadership responsibility over the intelligence community. Unless Congress chooses to give him full authority over intelligence expenditures of the Department of Defense, however, there is little more that he can do in this regard. There are several reasons why this option would not be practical. First, it is unrealistic to expect the Secretary of Defense to give up management control over intelligence programs that are geared largely to military needs, strategic or tactical. Second, the largest technical collection programs are dependent on military manpower,

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equipment, and bases. The Commission believes that the Defense Department should continue to manage these programs, but that the DCI's influence over the military intelligence budget process should continue to be enhanced and that the DCI should have to concur in the appointment of all USIB agency chiefs.

RECOMMENDATION: The DCI should be authorized and directed (a) to prepare, in addition to the Consolidated National Foreign Intelligence Budget and his five-year "Perspectives for Intelligence," an annual "Plan and Strategy for Intelligence" to be the basis for agency budgets and (b) to require all intelligence agency budget submissions to conform to a tasking pattern, determined by the DCI, which would set agency responsibilities and budget limitations. In addition, the DCI should have to concur in the appointment of all USIB agency chiefs, the role of the DCI's Intelligence Community Staff should be further expanded, and the Intelligence Resources Advisory Committee should focus each year on five or six major issues in the current community budget for special review by its members and the NSC.

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The Role of the DCI

The DCI wears two hats, for he is both head of the CIA and manager of the entire intelligence community. Over the years, there have been numerous proposals for separating these two functions entirely, to give the DCI more time to manage the community and to avoid what appeared at times to be a conflict of interest between the two duties. Presumably, the DCI could make his office in the White House and retain a small staff to give him substantive advice and to help him manage the community. In this way, the DCI would not be presiding over matters in which he has a vested interest. There would, however, be serious problems defining the chain of command. More important, a DCI without having the CIA under his direct command might lack the bureaucratic clout necessary to manage the entire intelligence complex. In practice, all DCIs have resisted the notion of giving up direct line control over the CIA.

In 1971, the President, on the recommendation of the Schlesinger Report, chose a compromise course: the DCI, while still in line responsibility over the CIA, should remove himself from the day-to-day direction of the agency and concentrate on his community responsibilities. This directive, admittedly difficult to achieve, was never fully carried out. The Commission is impressed, however, with its validity as a concept. The DCI would be significantly freed of a major management

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load and would have more time to devote to running the intelligence community. At the same time, he would not be deprived of his "troops."

RECOMMENDATION : The Director of Central Intelligence should retain line authority over the CIA, but, in order to fully implement the Commission's recommendations concerning resource management of the intelligence community, he should delegate as much as possible management responsibility of the CIA.

The Commission has given some thought to the character and background of the person to be a DCI: what are the principal qualities the President should look for in selecting a man for this taxing position, particularly as intelligence functions are, and inevitably will be, at once controversial and prominent in the public eye. In essence -- and apart from the obvious qualities of leadership, integrity, managerial talent and substantive knowledge of foreign affairs -- two perhaps conflicting demands are presented. There is need for a man with experience and professional talent in the highly technical field of intelligence. At the same time, there is need for someone with high public standing, one at home in the swirl of political life, in short, a man of cabinet stature.

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The Commission believes that the latter qualifications should be dominant. Without excluding the possibility of a professional career officer achieving the position -- even as a Foreign Service Officer "could be" Secretary of State -- the Commission would favor the position being filled by a public figure.

RECOMMENDATION : The position of DCI should be filled by someone with the strong personal confidence of the President. Future DCIs should probably be drawn from public life, comparable to Cabinet officers. Their tenure should normally end with the change of Administration.

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IV. Defense Intelligence Activities

INSERT

NOTE: Mr. Casey, on the basis of conversations held subsequent to committee meetings, believes this section will need significant revision particularly in respect to the discussion of "SCA's" beginning on page 7.

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IV. DEFENSE INTELLIGENCE ACTIVITIES

Overall Structure

The Department of Defense has many large intelligence agencies. Most of their effort is limited to "tactical" intelligence which is collected and evaluated for combat forces in the field. Yet, a great deal of the information emanating from military units is "national" or "strategic" intelligence of direct interest to national security, arms control, and other foreign policy concerns. Intelligence resources of importance to the conduct of foreign policy must not be overlooked or subordinated to tactical purposes. It is also important that overlapping jurisdictions and confusing lines of command be eliminated wherever possible. The DoD agencies most directly related to the conduct of foreign policy are NSA, DIA, and the National Reconnaissance Office.

Over the years, numerous independent committees have recommended consolidation of the complex and often overlapping elements of the Defense intelligence structure to effect economies, to reduce risks, and to improve quality control over the final product. The military services, however, have managed to retain most of their previously established authority and money under a key provision of the National Security Act which made "departmental

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intelligence" the responsibility of each Service intelligence agency. To this day, Army, Navy, and Air Force Intelligence are only partially subordinated to such centralized authorities as DIA, and tactical intelligence units remain directly responsible to combat commanders in the same manner that rifle companies or artillery batteries are responsible to a field commander. The military rationale for this is understandable: All field commanders seem more comfortable if they have direct control over vital support elements such as intelligence; the trauma of suprise at Pearl Harbor created an aversion to some far-off centralized authority responsible for crucial warning intelligence; and a larger military intelligence effort could be maintained if it were scattered throughout the Defense Department and thus obscured from Congressional budget cutters and civilian resource managers.

Despite the creation of DIA in 1961 to centralize intelligence collection and production for DOD, the size

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of the Service intelligence organizations has grown since then. Finally, although the Schlesinger report of 1971 noted the tremendous disarray in Defense intelligence management, and the President's subsequent directive ordered not only consolidation of effort, but reduction in the "tactical intelligence" budgets, reliable figures for current resources in the so-called "tactical" category are not even available. Indeed, intelligence officers are often unable to agree on what is "tactical" as distinct from "national" intelligence. Many believe that the term "tactical intelligence" is outdated and that, in any case, it is unnecessary to spend huge sums on tactical intelligence in peacetime.

Technical Collection

The two primary means of technical collection employed by the U. S. and Soviet Union are satellite photography and communications intercepts. Technical innovation and rapid advancement in these two fields caused intelligence costs to double during the 1960's, and today technical collection accounts for more than half of the entire intelligence community budget. The processed intelligence, however, is extremely valuable, because it allows us to determine

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with great precision, among other things, the number and type of major missile systems developed by an opponent, the movement of his conventional military forces, and the degree to which he is adhering to various arms limitation agreements.

Overhead Reconnaissance

The new opportunities for development and exploitation of satellite photography created an intense rivalry between CIA and DOD in the early 1960's.

Throughout, the USIB has been effective in establishing satellite requirement lists. The rivalry was finally composed by making CIA and DOD jointly responsible for satellite research, operations, and exploitation. There is, however, a lingering concern that the DCI's final authority to resolve disputes provides his agency with an unfair advantage, particularly in resource debates where CIA is proposing a competing system. Although the compromise organizational structure seems to be working effectively, the Commission notes that the Schlesinger report did indicate in 1971 that substantial savings might be realized if a single manager were placed in

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charge of the entire overhead reconnaissance program.

The Commission notes that the joint review of satellite photography at the National Photographic Interpretation Center (NPIC) by analysts from CIA and DOD acting independently of one another is a useful redundancy. The source material is so valuable and so massive that a built-in challenge mechanism facilitates effective exploitation.

National Security Agency

The potential value of U. S. SIGINT operations and the threat posed by the USSR necessitate that the U. S. maintains an extensive, secure, well-managed effort which is responsive to the needs of all parts of our government. The military, however, is dominating the use of the SIGINT collection capability at the expense of other national needs. NSA is the only national cryptologic organization in the West which reports to the Defense chief. Most of the rest are affiliated with foreign affairs organizations, and the USSR actually has two cryptologic outfits -- one under military intelligence and another more extensive one under civilian intelligence. Of course, civilian Departments of the U. S. Government can levy requirements on NSA through the USIB mechanism, but the sheer volume of requirements permits wide discretion among collectors, and SIGINT resources are heavily slanted towards military targets.

The Commission favors making NSA take policy direction from an executive committee composed of both the DCI and the principal intelligence advisor to the Secretary of Defense in order to create a climate

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in which the new intelligence needs of civilian consumers can be addressed more fully by NSA, while protecting the military's strong and legitimate interest in SIGINT. This structure would parallel the policy control mechanism that guides work successfully in the overhead reconnaissance program, and this new executive committee would report regularly to the NSC and to the President. Only the comment by the Schlesinger report that a single reconnaissance manager would save substantial sums is troublesome, since it might apply equally well to SIGINT. The military stake in SIGINT is so high, however, that the Commission rejected an alternate proposal that NSA be made an independent agency reporting through the Director of Central Intelligence, not the Secretary of Defense.

The Commission also believes that the Director of NSA should no longer automatically be a military man. Traditionally, the head of NSA has been an active duty general or flag officer who is reluctant to alienate his military superiors in the command structure. Practices similar to those which have come to govern the selection of the leadership of CIA, namely that either the Director or the Deputy should be an active duty or retired military officer, would seem most appropriate to NSA's current and prospective role in the intelligence community. We further suggest that the Director of this critically important, and major Agency, be appointed by the President with the advice

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and consent of the Senate. All other senior positions in NSA should also be awarded on the basis of knowledge and merit, not simply on the basis of traditional rotation of jobs among the military Services.

RECOMMENDATION : Greater civilian control over the National Security Agency (NSA) should be established by (a) making NSA take policy direction from an executive committee of the DCI (Chairman) and the principal intelligence adviser to the Secretary of Defense, (b) revising directives to allow either a civilian or military officer to hold any senior position in NSA, and (c) requiring that the Director of NSA be appointed by the President with the advice and consent of the Senate.

The struggle between NSA and the Joint Chiefs of Staff for control of SIGINT has persisted for many years. Today, the cryptologic programs of the Service Cryptologic Agencies (SCAs) are coordinated by NSA, but each SCA receives its own budget to support its own program planned in response to two sets of guidelines -- one related to support of military field forces and the other designed to satisfy "national" requirements. The Director of NSA is responsible for providing technical direction and support to the SCAs and for levying requirements and producing intelligence on "national" objectives. Each SCA, however, is commanded by its Service chief at the headquarters level, and in the field is under operational control of the local military commander.

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The SCA problem is complicated by other factors as well. Cryptography began in the military as an adjunct of communications, and, therefore, although its product is obviously intelligence, it has no connection with the regular Service intelligence organizations. Moreover, not until 1970 were the SCAs split out of the communications command structure, and then only in headquarters and not in the field. Although NSA is supposed to be responsible for both COMINT and ELINT, the Services do not believe NSA is putting enough effort on the latter. As a result, the Services are circumventing a National Security Council Intelligence Directive assigning authority for ELINT to NSA by retitling the activity "Electronic Warfare." If this most recent Service dilution of NSA authority is permitted to continue, ELINT research and development could easily be justified on a fragmented "Electronic Warfare" basis.

In 1971, on the basis of recommendations contained in the Schlesinger report, the President ordered the creation of the Central Security Service (CSS). The idea was to consolidate requirement and analysis assets in NSA headquarters which would provide tasking for the newly consolidated collection assets under the CSS. Instead of abolishing the SCAs, however, a new military-style command structure was developed within NSA. The civilian collection stations controlled directly by NSA were excluded from the all military CSS, apparently because mixing civilian and military assets performing the same functions would have implicitly demonstrated that the "unique"

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needs of each Service could be met centrally.

Current efforts within the intelligence community at central planning and resource allocation for SIGINT can improve the situation, but it appears that more drastic action is called for. Thus the Commission believes that all SIGINT programs should be consolidated under NSA. In time of war, however, since many of these assets would revert to the control of unit commanders, it is reasonable that a limited number of cryptologic units would be assigned to field commands by NSA in a training capacity to insure their continued ability to respond to tactical requirements. If deemed desirable, personnel could be rotated out of NSA into these units on a regular basis to insure adequate trained reserves. Even these training units should be available for national level tasking if they have a capability to contribute to requirements. As a further safeguard, SIGINT liaison officers might be retained at all appropriate levels of the military command structure, and NSA units should participate in military readiness exercises. We believe these safeguards meet the concerns expressed in the 1968 Eaton Report, which recommended centralization of functions under NSA, but only after the Vietnam War and only if wartime needs of the JCS could be accommodated.

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RECOMMENDATION : All programs for Signals Intelligence (SIGINT) should be consolidated under the National Security Agency (NSA). The Service Cryptologic Agencies should be abolished and their assets transferred to NSA.

DIA and the Service Intelligence Arms

While no one would argue that the military threat to our survival has disappeared, it has certainly receded -- in part because our intelligence is better, both as a result of technological breakthroughs by CIA and NSA and accumulated analytical experience in many parts of government. Thus, the separate Service approach to intelligence, however justified it may have been originally, is now in need of major revision.

When the Defense Intelligence Agency (DIA) was established in 1961, it was supposed to have responsibility for the management of all Defense Intelligence assets and

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production, but DIA has no command control over Army, Navy, and Air Force Intelligence resources. DIA manages only those military intelligence activities, such as the military attache program, which are not assigned to field forces or national programs.

The Fitzhugh report of 1970 and the Schlesinger report of 1971 recommended a full-time manager of intelligence resources, and the Schlesinger report provided various options, including a powerful Director of Defense Intelligence (DDI with command authority over all Defense intelligence activities and resources (including tactical), and alternately an Assistant Secretary of Defense/Intelligence (ASD/I) with staff advisory powers, but no command authority.

The ASD/I position was created in 1971, and since that time, separate Service programs for security background investigations and mapping have been consolidated; some small, marginal programs have been abolished; resource trade-offs between the Services have been negotiated; and resource reviews made within DOD and with the DCI have been conducted on a regular basis. The ASD/I, however, is a staff officer and lacks control over the separate Service intelligence organizations.

The DDI would be the Defense representative on USIB, IRAC, and the executive committees for overhead reconnaissance and NSA; would direct and control all Defense intelligence activities not organic to combat forces; would review all intelligence programs

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and recommend resource allocations; would establish requirements for collection and production; would conduct periodic evaluations of Defense intelligence processes and products; would review and consolidate intelligence R&D; and would develop procedures to protect sources and methods.

The DDI proposal was resubmitted for Presidential review as the first DOD option of the Schlesinger report of 1971, but apparently not adopted despite its obvious benefits, because the President decided to avoid making changes in the intelligence community which would require Congressional action. The Commission believes this may be a more appropriate time for fundamental reform of the Defense intelligence establishment.

RECOMMENDATION : A Director of Defense Intelligence should be created with the necessary authority to consolidate the fragmented military intelligence effort and establish centralized control over intelligence collection, analysis, production and resource management.

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Military Attaches

The Defense attache system, which is managed by DIA, has become more effective over the last few years, but still has serious problems. Attaché reporting is occasionally useful to the production of national intelligence, but attachés generally focus on tactical matters and do not always take full advantage of their contacts in foreign armed services. In part this is the fault of the requirements system, but it is also in large measure a function of personnel policies in the Defense Department. Despite the promotion of a few career attaches to the rank of general, the attache service is not yet regarded as a promising career opportunity in the Armed Services. Indeed, many senior assignments are considered retirement posts. Furthermore, the sharp reduction in the number of attachés abroad has been mainly felt among junior officers, who are especially useful in maintaining contact with young foreign military officers. If reporting by military attaches is to improve knowledge by the intelligence community about the political attitudes and intentions of foreign military personnel, this trend must be reversed.

RECOMMENDATION : The military attache system should be upgraded by placing a career premium on a period of service as a military attache, and more slots for junior officers abroad should be made available despite pressures for reductions in personnel. Collection requirements for attaches should be altered to stress national or strategic as well as strictly "tactical" matters.

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V. The Clandestine Service and Covert Action

1. Human Intelligence (Humint)

Although satellite photography can provide previously unavailable and often incontrovertible evidence about past developments and current events, it can tell us relatively little about the political dynamics of other societies or the intentions of foreign leaders. Therefore, clandestine agent operations (known in the intelligence trade as Humint) are still crucially important.

Locating a person with access to the data we require who is also willing to cooperate with our intelligence program is no easy task. This is particularly true in the closed Communist societies where individual mobility is severely restricted, secrecy is ingrained, and the leadership carefully compartmentalizes information as a control technique.

Conversely, in an open society such as ours, much important information is readily available to potential adversaries. By simply subscribing to a weekly aviation magazine, the Soviets can obtain the type of essential technical data we must spend millions of dollars to collect secretly. Given this obvious advantage, as well as their announced interest in reducing tensions, one might imagine

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that Soviet intelligence activities must have been reduced. The trend, however, is actually in the opposite direction. According to our best estimates, the USSR annually commits more resources (both people and money) than the U.S. to all phases of intelligence -- satellites, communications intercepts and Humint. Indeed, the number of Soviet intelligence personnel assigned abroad has increased over the last few years, and the USSR has expanded its recruitment compaign directed at the U.S.

The Commission endorses the findings of the President's Foreign Intelligence Advisory Board that the DCI should generate the type of national effort which, during the past decade, caused tremendous progress in the field of technical collection. While the problem-solving techniques of human and technical collection are totally different, the potential returns are comparable because even a single agent of the caliber of Colonel Penkovsky can greatly reduce the uncertainties and dangers of great power politics.

The difficult and risky Humint effort should be the exclusive responsibility of the CIA. The military has, over the years, been phasing out of Humint, and this is a trend which should now be carried to its logical conclusion. Several past studies have criticized the military for lack of competence in agent operations; the dangers involved do not justify further military efforts generally aimed at low-level targets; and the Schlesinger report noted that some economies can be effected by centralizing the functions.

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As an interim measure, the DCI should have discretionary authority temporarily to sanction military clandestine collection units providing essential support to operational commands for current operations and contingency planning. All other such units abroad should be disbanded, but especially talented and valuable military personnel might be placed under the authority of CIA station chiefs if deemed advisable by the DCI. No change should be made with respect to long-standing arrangements which provide that CIA clandestine assets will be subordinated to military commanders in time of war.

RECOMMENDATION : The U.S. Government must have an effective clandestine intelligence collection program. Obtaining improved Humint on the intentions of foreign governments must remain a high priority within the intelligence community. The CIA should take the final steps necessary to give it exclusive responsibility for clandestine Humint operations abroad during peacetime.

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2. Covert Action

The most controversial activity of the CIA is not intelligence at all. Covert action is, however, a traditional function of intelligence organizations, and it is a weapon maintained in the arsenal of all governments -- whether autocratic or democratic -- which have important foreign obligations and interests. In the Cold War, it proved effective in many situations and backfired in others; in a period of relative detente, the role of covert action is disputed.

The term "covert action" includes those propaganda, political and paramilitary actions abroad carried out in support of U.S. policy, but in a manner not attributable to the U.S. Government. They may be legal or illegal, benign or violent, hostile or friendly, large or small.

Authority for covert action is implied under the National Security Act of 1947, which empowers the CIA "to perform such other functions and duties related to intelligence affecting the national security as the National Security Council may from time to time direct." This intentionally vague, but purposeful language has been elaborated upon by several secret NSC directives and by periodic briefings to those Members of Congress who are authorized to have operational information about intelligence activities. It has been made specific through the use of covert action by every postwar President under constraints requiring CIA to obtain interagency policy approval for each operational plan.

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The Commission has heard testimony against covert action and has discussed the pros and cons of covert action at length. It is mindful of the arguments against covert action: that such activity is offensive to the moral standards of a great democracy; that covert action runs counter to the respect for international law which the U.S. is attempting to inculcate in others; that the means used are more important than the ends achieved; that CIA activities have done much to undermine the reputation of the U.S. and its diplomacy around the world; that our intervention abroad has helped to alienate many Americans from their government; that the risk of "leaks" has become greater as the strong public consensus policies to "contain Communism" has waned; that CIA has contributed to the eventual creation of undemocratic, dictatorial governments; that covert action, possibly defensive in wartime situations, is inappropriate in peacetime; that the Cold War has been prolonged and intensified by covert action.

Critics also question the effectiveness of covert action, and it is true that a few badly mismanaged operations, such as the Bay of Pigs invasion, have been disastrous. However, by their very nature, most covert operations have not made headlines, and mismanagement has not been a hallmark of CIA activities.

The Commission recognizes the importance of many of these arguments and accepts the need to have sharp limitations on the use of covert action. On balance, however, the Commission decided to recommend the maintenance of a capability for covert action, because the world is likely to remain a turbulent and dangerous place for the foreseeable future. The U.S. cannot

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afford unilaterally to deny itself the use of a valuable instrumentality which is not denied to others. Moreover, flexibility in tailoring a response to suit the nature of the problem confronted can often mean the difference between success and failure. Just as we have conventional military forces to use short of our nuclear capability, covert action embraces a wide range of responses which fall in between delivering a diplomatic protest and committing U.S. troops. It can also be in the U.S. interest, under special circumstances, to extend help covertly to a foreign leader, a labor union, a political party, or an intellectual who may need help desperately but be unable to accept it openly because of the likely political repercussions.

Having concluded that it is only prudent to maintain a capability for covert action, the Commission hastens to add that such a capability should be used sparingly. Covert actions should only be undertaken after full consideration of all overt alternatives, and then only if the potential gains involved are worth the risks of possible exposure. It should be noted in this regard that there has been a marked decline in the number of covert action operations mounted by the U.S. since the 1950s, when the U.S. was actively countering Soviet efforts to subvert foreign governments and international organizations, and the 1960s, when the U.S. was attempting to counter "Communist wars of national liberation."

RECOMMENDATION : The U.S. should maintain the capability to carry out covert action. This capability should be used sparingly.

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3. Paramilitary Operations

Paramilitary operations pose special and unique problems. With the special privileges granted to it by Congress, the CIA has been able to develop highly efficient logistics machinery for moving personnel, equipment, and funds rapidly and secretly around the world. Largely for that reason, the CIA has been called upon to carry out some large-scale paramilitary programs (e.g., in Guatemala, Cuba, and Laos) that might more logically have been handled by the Department of Defense. Such paramilitary operations are generally too large and "noisy" to be kept secret, and it is doubtful that a secret intelligence service such as the CIA is the most appropriate vehicle for this kind of activity, no matter how good a job it can do.

The Commission believes that the paramilitary charter should be transferred to Defense, where all three services have appropriately specialized personnel, equipment, and training facilities in being. In the process, Defense would probably need to create a special operating unit which can be given Congressional authority to move funds, personnel, and equipment outside the bureaucratic system. This reassignment of responsibility would bring future paramilitary operations under established Congressional oversight and review, but these programs should also continue to require authorization and regular review by an interagency group of the Executive Branch, such as the 40 Committee.

RECOMMENDATION : Paramilitary operations should be the primary responsibility of the Department of Defense.

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4. Organizational Alternatives

The clandestine service of the CIA has the primary responsibility for those operations popularly associated with "spying" -- the secret collection of intelligence by human sources (traditional espionage referred to previously as "humint"), counter-intelligence (protection against the operations of foreign intelligence services), and covert action.

The possibility of splitting off the clandestine service from the rest of the CIA has been reviewed in many previous studies. The clandestine service could be formed into a separate agency and placed under the Department of State or Defense; it could report directly to the President; or it could be set up as a semi-autonomous agency responsible to the DCI, in the same way that the Agency for International Development relates to the Secretary of State. For a variety of reasons, all previous studies have recommended that the CIA remain intact, including the postmortem on the Bay of Pigs which was produced after President Kennedy stated that he would like to "scatter CIA to the winds."

The principal argument in favor of splitting off the clandestine service from the rest of the CIA is that it would permit greater openness in CIA activities not associated with clandestine and covert operations. Analysts, who derive most of their information from opensources, might be able to improve their work if they could establish closer relations with universities and other nongovernmental institutions. Such associations, which were

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strong in the early days of the CIA, have tended to atrophy. It has also been argued that greater objectivity in analysis might be achieved by removing the CIA's "vested interest" in clandestine operations, and that the split would enhance security for clandestine activity.

The Commission favors keeping the clandestine service in the CIA, in part because it would divide or duplicate support services, including communications and administration, now serving the entire CIA. Furthermore, such a split would place an unhealthy distance between the collectors of "raw" intelligence information and the components involved in research and analysis. Analysts often gain valuable insights through their association with operators who have spent considerable time abroad, and the latter can improve the relevance of their intelligence collection if they understood the needs of analysts. In addition, the CIA is making some headway in improving its relations with nongovernmental institutions by encouraging its analysts to become active in professional organizations and by declassifying some material of interest to the academic community. Finally, the CIA's analytic component is compartmented from the clandestine service, security does not appear to be an insurmountable problem, and CIA analysts are regarded as relatively objective, notwithstanding their proximity to clandestine operators.

A second organizational change sometimes suggested is the creation of two clandestine services, one to collect intelligence and another to engage in covert action operations. The argument

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made for separation of the two activities is that a covert action organization which also collects intelligence might tend to bias its intelligence reporting to support and justify its operational programs. Although this is a danger, adequate safeguards can be established within a single organization. The arguments against separation are more fundamental. First, a clear line between the two activities cannot be drawn, because a single individual can often collect valuable information and also take positive actions of benefit to the U.S. It would be wasteful in the extreme to have two clandestine elements of our government competing for his services, or even worse, separately rewarding him for his efforts. Second, many successful covert action operations create sources with the capability and motivation to provide important information to our government. Third, trying to compartmentalize recruitment and communication lines for the two purposes in a single country would be, and indeed in past experience has proved to be, not only impractical but physically dangerous to the agents involved. Fourth, the problem of finding adequate cover for CIA personnel overseas is difficult enough without requiring such protection for two separate clandestine services.

RECOMMENDATION : CIA should retain responsibility for secret operations abroad. The clandestine collection and covert action functions should remain under the unified control and direction of a single clandestine service chief.

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5. Policy Approval Mechanism

The CIA has often been accused of being a government unto itself, the clear implication being that the Agency frequently engages in dangerous and risky activities without the knowledge and approval of elected officials or their subordinates in policy-making positions. The Commission believes this to be untrue.

The history of the approval system for covert operations is extensive, although classified. Shortly after the passage of the National Security Act of 1947, NSC Directive 4A (Dec. '47) authorized the DCI to undertake covert actions and to insure that the operations were consistent with U.S. policy by clearing them in advance with the Department of State and Defense. This decision followed several successful Soviet covert actions which were instrumental in changing basic political patterns in Europe.

A succession of review and coordination bodies followed, starting with NSC 10/2 Panel in 1948, then the Psychological Strategy Board in 1951, the Operations Coordination Board in 1953, the 10/2 Panel again and in 1955 the 5412 Committee. This Committee was subsequently retitled the 303 Committee and then the 40 Committee. Throughout this whole period, the criterion for submitting projects for review was the political sensitivity of the proposal, and also at times the amount of funding involved. As time went on and conditions in the world changed, the number of projects submitted declined, participation in the approval process expanded, and the number of projects accepted became smaller. Approval has been no mere formality -- many projects

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have been turned down by policymakers, including ideas whose potential they had earlier instructed CIA to investigate. Still other proposals have been vetoed by the DCI before they even got into the formal approval channel.

Today, the 40 Committee is composed of the Assistant to the President for National Security Affairs (chairman), the Under Secretary of State for Political Affairs, the Deputy Secretary of Defense, the Chairman of the Joint Chiefs of Staff, and the DCI. Perhaps because the members are so involved with other pressing matters, and because the Committee's workload is comparatively light, approval procedures have become excessively informal. The Committee rarely meets, but rather proposals are hand carried from department to department and Committee members write or telephone their opinions to the chairman. The chairman has the overriding authority and can disregard a majority vote against a project if he so desires. Final approval authority, of course, resides with the President.

The Commission believes that the sensitivity and importance of the 40 Committee's responsibilities dictate that it should meet reguarly for substantive discussions of the merits and risks of the proposals being considered. In order to insure that genuine safeguards over covert actions are applied by the Executive Branch, the Commission suggests:

- A ranking official of the Department of State be made chairman of the 40 Committee. State has effectively chaired previous approval committees

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and is responsible for the formulation of foreign policy.

- A person of considerable public stature and a knowledge of the intricate workings of government, but with no active association with the Administration, should be added to the membership of the 40 Committee.
- Greater flexibility in extending the "need to know" rule should be applied in the covert action approval process in order to develop the best judgments possible. In the past, officials who might have made important contributions were not told of covert actions and some, such as UN Ambassador Adlai Stevenson at the time of the Bay of Pigs, were publicly embarrassed as a result. The Commission was gratified to learn that revised procedures now require that officers outside the clandestine service (at a minimum the Deputy Director for Intelligence and one of the National Intelligence Officers) must review proposals before they leave CIA and that opinions are sought from the appropriate Assistant Secretary of State and U.S. Ambassador.

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- Since the essence of the 40 Committee's responsibility is "policy," committee staff support should be drawn primarily from the policy-oriented agencies, especially the Department of State, rather than exclusively from the clandestine service.
- Besides granting initial approvals, the 40 Committee should at regular intervals make mandatory reevaluations of ongoing projects. Since covert actions can rarely achieve lasting long-term objectives by themselves, follow-up overt actions to assure success over the long run, such as economic assistance levels, should be a factor considered in the initial approval process.

RECOMMENDATION : The policy approval mechanisms for covert actions in the Executive Branch, currently the 40 Committee, should meet regularly for substantive discussions, not only to approve covert action plans, but to monitor ongoing covert operations.

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6. Review by Congress

The DCI has repeatedly stated that he is prepared to report to Congress in any secure manner and through whatever machinery the Congress establishes. Committee II is concerned about the current inability of Congress to prevent its members from leaking classified information on intelligence matters to the press and from making comments that complicate the need to have adequate cover for CIA personnel overseas. Committee II (National Security and Intelligence) encourages more vigorous and regular Congressional review of covert actions, but looks to Committee I (Executive-Congressional Relations) to provide recommendations on both of these matters.

Both the Senate and the House have expressed approval in principle for the concept of covert action by soundly defeating bills in the 93rd Congress which would have made all such activities by the U.S. Government illegal.

Nevertheless, in the closing hours of the 93rd Congress (December 1974), an amendment to the Foreign Assistance Act was passed which places new restrictions on covert action operations. In sum, the Act states than no funds can be expended by CIA for any activity other than intelligence collection, unless and until the President personally certifies that each covert action operation is important to the national security of the U.S. and reports its details to the appropriate committees of the Congress.

The Commission is gravely concerned by the provision that the President must take personal responsibility for all sensitive

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operations of this nature. The 1960 U-2 incident demonstrates the tremendous repercussions which can result when a President takes personal responsibility for a failure that could more conveniently have been left at the door of a subordinate. In his memoirs, Chairman Khrushchev stated he was astonished when President Eisenhower announced he had personally authorized all U-2 flights. Khrushchev, therefore, felt obliged to respond with personal invective and cancellation of his invitation to the American President to visit Russia. President Eisenhower himself later stated that he felt his failure to follow Allen Dulles' advice that the DCI be blamed for the damaging incident was one of his biggest foreign policy errors. The Commission believes it truly important that a President be left the option of disassociating himself from embarrassing intelligence failures.

RECOMMENDATION : That portion of the amendment to the Foreign Assistance Act which requires Presidential certification of each covert action operation should be repealed.

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VI. DECLASSIFICATION AND PROTECTION OF SOURCES

Declassification

The Freedom of Information Act of 1966, as amended in 1974, provides for declassification by private initiative, but not by governmental routine. Executive Order 11652 regularizes Executive Branch declassification procedures. However, intelligence data is often exempted from the general declassification schedule, and for the date on which declassification will occur the phrase "impossible to determine" has been substituted on a much-used classification stamp.

The Commission is impressed by efforts of the Director of Central Intelligence Agency and others to obtain declassification of intelligence information. The Commission is not, however, satisfied that past declassification attempts have resulted in sufficient declassification of finished intelligence products.

Many foreign intelligence publications could be issued for public distribution, and others which cannot be so issued could be sanitized for such distribution. International economic intelligence is of particular value to private U.S. institutions. Conversely, the commercial intelligence and expertise of such private institutions may be more widely available to U.S. economic intelligence analysts if private institutions have a fuller appreciation of the economic analysis now undertaken within the

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intelligence community.

In addition, photographic imagery used for intelligence purposes could be extremely useful for U.S. Departments interested in such fields as agricultural developments, mineral resources, population problems, natural disasters, and environmental matters. The product, if not the process of producing the imagery, may be declassified. Furthermore, a nationwide consolidated program for imagery exploitation would be fostered by wider availability of appropriate security clearances and special training to educate potential users throughout the government.

RECOMMENDATION : Intelligence products should be published in unclassified versions as long as they do not compromise intelligence sources and methods or do damage to U.S. diplomacy.

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Compelling arguments are made that the total intelligence appropriations for each member agency of USIB should be openly published annually. Although detailed budget data for annual intelligence programs would jeopardize intelligence sources and methods, a summary publication of budget totals would probably not to any significant extent cause comparable jeopardy. Disclosure would have the principal advantage of greater public awareness of recent reductions in intelligence expenditures and less potential conflict with the constitutional requirement for the publication of regular statements concerning "expenditures of all public money."

RECOMMENDATION : The total intelligence appropriation for each member agency of the United States Intelligence Board should be published annually.

(NOTE: The subject of confidentiality and the classification system is being studied elsewhere by the Commission, and notably in Committee I (Congress and Legislative-Executive Relations) and further recommendations on this subject will be made.)

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Protection of Intelligence Sources and Methods

The Commission feels strongly about permitting the maximum disclosure of intelligence information -- as long as it can be done without jeopardizing sensitive sources and methods of intelligence collection. The DCI is responsible under the National Security Act for "protecting intelligence sources and methods from unauthorized disclosure." Such unauthorized disclosure can jeopardize human lives and can nullify some highly technical means of collection. In fulfilling his responsibility, the DCI does not have the support of criminal sanctions, except for the espionage laws which involve aiding a foreign power. The Commission believes that the DCI should have additional sanctions, limited to the disclosure of foreign intelligence sources and methods by those who are authorized access to sensitive intelligence and who have committed themselves to protect that information. These sanctions, therefore, would not relate to prior restraint on publication, nor apply to anyone not pledged to secrecy by a commitment joined with the Federal Government.

RECOMMENDATION : Criminal sanctions should be extended to protect foreign intelligence sources and methods against unauthorized disclosure of classified information by Federal employees and others with authorized access.

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VII. SUPERVISION AND OVERSIGHT

It is essential for the U.S. Government to have adequate safeguards for supervising and overseeing U.S. foreign intelligence activities. In accordance with the checks and balances of the American system, supervision is essentially a responsibility of the Executive Branch, and oversight responsibilities are lodged both in the Executive and Legislative Branches.

Some important constraints over CIA activities in particular are built into the foreign policy mechanism of the Executive Branch, and the Commission believes that these should be enhanced and encouraged. The National Security Council Intelligence Committee is designed to oversee the substantive work of the intelligence community and, as suggested earlier, should be responsible for regular evaluations; the Forty Committee has to review all sensitive intelligence operations, including covert action and overhead reconnaissance; and OMB reviews the national foreign intelligence budget, though its impact on the Defense Department intelligence budget is limited. In addition, on an operational level, intelligence officers deal with policymakers in many ways. The CIA representative in each country is subject to the overall direction of the U.S. Ambassador in accordance with tradition and specific letters written by Presidents Kennedy and Nixon. The CIA Station Chief has private channels of communication with his headquarters, but substantive intelligence acquired is made available to the Ambassador, and the Ambassador has the right to be

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informed of operations conducted in his country. In Washington, clandestine division chiefs meet regularly with the appropriate Assistant Secretary of State to review substantive developments and operational activity.

The President requires an independent source to assess the intelligence community's effectiveness which is free of operational responsibilities and removed from the possibility of organizational bias. President Eisenhower established a citizens' panel in 1956 to perform intelligence oversight. This group has been maintained by each succeeding President and is now known as the President's Foreign Intelligence Advisory Board (PFIAB). PFIAB, which was designed to fulfill this role, is composed of approximately twelve distinguished private citizens, selected on a nonpartisan basis, whose knowledge and previous experience qualify them as advisers on national security affairs.

The PFIAB meets for two days every other month, and its chairman and various members devote substantial time between meetings to the work of the Board. The Board is served by a two-man professional staff, which may be augmented as necessary by personnel from the intelligence community or outside consultants.

The Board has the responsibility to advise the President on the basic structure of the intelligence community, the development of major intelligence systems, and the degree of emphasis that should be given substantive areas. In its early days, the Board played a role in the development of the U-2 and later in

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satellite systems.) In recent years, the PFIAB has conducted several useful postmortems on alleged intelligence failures such as Sihanoukville, Chile and the Middle East war of 1973. It has also produced constructive studies, notably reports on economic intelligence and human source collection. These studies not only alerted the President to problems, but also served as guidance to the intelligence community in establishing priorities and managing resources.

We believe that the PFIAB has been an important and sometimes critical source of advice to the President on the adequacy of the intelligence community, but that its full potential has not always been realized because of limitations sometimes imposed on its relationship with the Chief Executive. These limitations have included the interposition of staff layers in the processing of Board reports to the President and in restricting personal meetings with the President to infrequent and oftentimes non-substantive events. Were the Board's relationship to the President close and direct -- and it has been on occasion in the Board's history -- the vital interests of the nation, the President and the intelligence community would be better served.

RECOMMENDATION : PFIAB must have the confidence of the President and receive his regular attention. Each new Administration should issue an Executive Order reconstituting PFIAB, defining its membership and responsibilities, and specifying its authority for direct access to the President.

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Improved Congressional oversight of intelligence activities is also essential, and Congress should be afforded greater access to the full range of intelligence analysis produced within the intelligence community. In the process, however, Congress should establish procedures for assuring the continued protection of classified information.

RECOMMENDATION : Congress should improve its procedures for overseeing the intelligence community's operational activity. Congress should receive more of the finished intelligence product and should establish the necessary rules and procedures to assure the continued protection of the increased amount of intelligence data it requires.

(NOTE: Committee II looks to Committee I to refine this recommendation and the supporting discussion).

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